

PART II: POLICY MEMORANDA FROM WORKING GROUPS

THEORY AND RECOMMENDATIONS: GROUP REPORT 1

Jan Tinbergen,* Geoffrey Vickers, Harold D. Lasswell,
John Maddox, and Martin Shubik

This memorandum, which has been drafted under great pressure by one of us and discussed only for a very limited time, does not reflect the full range of our discussion or the full divergence of our views and attitudes. We are content, however, that it should go forward as the best expression of our joint views that we could produce in the time available. It is subject to any qualifications or additions that we may individually wish to make.

Our terms of reference are very wide, and we have arranged our response in three sections. The first deals with the intellectual framework within which we have approached our task and which has engaged much of our discussion. The second contains our general recommendations on three areas of concern. The third contains our views on the role of the intellectual community in the ongoing process in which this conference should be one of many interacting parts.

There is no comprehensive accepted theory that accounts for the process called human history or defines the nature and extent of the role played therein by human initiative or the ways in which human standards of judgment are formed and changed. We know a lot about this process from our interpretation of event and experience. The social sciences clarify and reinforce this knowledge in varying degrees in their various fields. Hypotheses multiply and conflict. We think we can best contribute to this area by describing what seem to us to be its most important characteristics.

Since our conference prospectus requires us to adopt a problem-oriented perspective, we need to define a problem; for problems are not data but artifacts of concerned human minds. We regard as problematic any field of actual or prospective event that implies some promise or threat and invites enquiry to discern whether some change that is within human control would be likely to make its outcome more acceptable.

This definition has several implications that we think are useful to express, since they mark a difference between problems of the kind we are considering and most technological problems. (1) Not all human problems, when analyzed, are found to have acceptable solutions, attainable by acceptable and feasible means. (2) Problems involving the abatement of threats are often different from those involving the realization of promise, although for convenience we will adopt the common (but we think fallacious) practice of subsuming the first under the second. (3) "Changes under human control" include changes in the way problematic situations are perceived and in the criteria by which they and our hypothetical interventions are judged no less than changes produced in the course of events.

* Chairperson and rapporteur.

Since all human acts are also communications, the two kinds of change are intimately related. (4) Since the human agents who consider and make such changes are themselves part of the system that they are trying to regulate, their action (or inaction) is bound to have effects on the system beyond those invited by the perceived problem and perhaps beyond their own anticipation. So the success or failure of any intervention has to be reckoned by considering its costs and benefits in more than one dimension and over a span of time that is itself problematic. (5) The constraints that limit possible action (and inaction) include not only scarcity of resources or technologies but also differences in the perceptions and value judgments of all who have any power, positive or negative, to influence policy. Both trends of constraints can be changed within limits, including limits of time, but by different means. (6) The historic process within which policy works is itself generating change far beyond all those deliberately initiated by human policy. One manifest source of these changes is the instability of many of the political subsystems of which it is composed.

We stress these facts not because we doubt the usefulness of the exercise on which we are engaged but because we think it essential to the success of that enterprise that they be borne in mind. They can be summarized by the statement that we are part of a process that is both historical and dialectical. We may differ in our understanding of these terms and we conclude this section with a note of some of these doubts and differences. However, we do not differ in believing that, whatever be the future of material progress as this has been understood by developed countries through most of the last two centuries, progress towards a more humane society, and thus towards higher standards of what being human means, is possible, desirable, and sufficiently recognizable to guide action in the actual contexts of life for men and societies.

One of the elusive theoretic questions to which we have no agreed answer is the way in which men take personal and collective decisions involving the comparison of estimated costs and benefits that appear disparate and imponderable. Some economists concerned with welfare postulate a "welfare function" that somehow subsumes such diverse factors and makes possible the comparison of alternative courses; men constantly and confidently make such choices, while others, including professionals, at that time and later, confidently criticize them. We believe that this is a supremely important and valid function of the human mind and that much can be done to make it more effective. We are concerned only to point out that for at least some of us it is a dialectic process different in important ways from the process by which knowledge has accumulated in the natural sciences.

RECOMMENDATIONS

Any such doubts on differences as may divide us have not prevented us from discussing and reaching partly agreed on conclusions in three important areas. The first concerns the apparent conflict that frequently arises between *developmental policy* and *environmental policy*. The de-

veloped nations have greatly increased their productions of wealth and their power to increase it still further and this has enriched virtually all classes of their citizens and improved the quality of their lives, individually and collectively. However, this system has involved an inequality of distribution so great that the needs of the poorest citizens have not yet been satisfied, despite extensive redistribution of wealth by political means. This inequality powers the demand for further development, and this development is reinforced by the self-exciting industrial system of the West, which has a built-in urge to grow. In some of the underdeveloped countries, the needs of the poorest are even more manifest and the case for development is even stronger.

On the other hand, development has already produced, in those places where it is most concentrated, serious pollution of earth, air, and water, depletion of nonregenerative materials, including fossil fuels, and a more than exponential growth of population. Whatever interpretation be put on these familiar facts, it is generally accepted that future development must have much closer regard to its environmental effects and that much of it needs to be directed to undoing the effects of past environmental waste, where this is possible, and to reducing, if not eliminating, it in the future.

We reject the idea that such conflicts are between different *kinds* of criteria—unless the value of development be costed solely in terms of costs and benefits to the developer. All our uses of natural resources are *developments of our environment*. Every such use has costs and benefits in many dimensions. All should be considered. Because damage to the environment, unless reflected in the costs of the developer, has been so often ignored, it is appropriate that special interests and institutions should emerge for the protection of the environment. We welcome, for example, the creation in the United States of the Environmental Protection Agency. However, we believe that a more positive attitude is needed. It should be the aim of all development to leave the environment “better” (as good farming does) or at least not “worse” than before.

Such conflicts are currently sharpened by debate about “limits to growth.” We take different views about the importance and urgency of these threats. Dr. Maddox’ paper, “The Question of Economic Growth in a Finite World,” is a timely reminder that any global picture drawn basically in terms of physical limitations must fail to do justice to the political and social realities that define human problems in different societies and to the elasticity of political, social, and economic institutions. Even allowing for this, there is room for a wide variety of views and, more generally, mental climates in which views on this huge subject can be generated. We are, however, agreed that the most intractable of these threats in the long run may well be the need to stabilize the populations of the earth at a level and by means which will not deny to any of its inhabitants the basic conditions of human life. On the short term, however, owing to present numbers, trends, and distribution of population, the most urgent threat seems to us to be global and, still greater, regional shortages of food. Even this, how-

ever, is not wholly or perhaps even mainly a technological problem of food production or the logistical threat of limited resources.

Today the amount and kinds of food produced, the amount of cereal converted into animals for food, and the distribution of the result between nations and classes are largely determined by market mechanisms and by government interventions designed to benefit national economies. We will not try to summarize here our discussion of these complex factors but we have no hesitation in assigning high priority not merely—or even chiefly—to the study of increased food production, but to the study of a system that elicits and distributes the present volume and mix of foodstuff and to the means whereby this may be made more responsive to human need.

Food distribution is only one example of the presently universal pattern that the poorest come out worst. We have, therefore, paid particular attention to the distributive aspects of the developmental process. This process has produced gross inequalities of wealth and income both within developed countries and between them and the rest of the world. As Professor Tinbergen's studies have shown, the just of these trends is abating in most, if not all, of the developed countries, partly as a result of political action, but not in the second countries, except those underdeveloped countries that command but do not yet depend on resources needed by the developed world. Oil is, of course, the most familiar example of this. We believe that the gap between rich and poor needs to be reduced, both within nations and between nations. However, these two problems are different and invoke somewhat different solutions.

Where changing terms of trade give underdeveloped countries a favorable balance of payments with the developed world, the fact should be welcomed as correcting by orthodox economic means the imbalance to which we have referred. This should apply whether the change derives from a change in the international value of raw materials or from successful competition, by relatively undeveloped countries, in the market for products involving simpler technologies and more intensive use of labor. We do not believe, however, that international market mechanisms will suffice to meet the needs of those countries that need most and have least to offer. We recognize, therefore, a need to supplement the market by transfers of more or less unrequired purchasing power on a much larger scale than hitherto, as well as a need to make it more efficient. We observe that all developed countries within their own orders have resorted to the same device, partly for ethical and political reasons and partly to sustain the market.

We advocate these changes chiefly because we find it ethically unacceptable that starvation and extreme deprivation should coexist with such abundance as is to be found in parts of the developed world. We advocate it also for two other reasons. First, experience seems to show that deprived classes multiply faster than those with a higher standard of living, so we believe that reducing extremes of deprivation will contribute to producing a more balanced world population. We advocate it also because we believe that whatever the political system of a country, its citizens will claim and

exercise the rights and responsibilities of citizenship better if they are relieved of the pressures invoked by the need to survive in conditions of extreme deprivation.

The extent to which developed countries can thus contribute to the support and development of those which are less developed is subject to several constraints. Some of these are inherent in the political, economic, and social state of the potential recipients, which vary greatly. The main variables seem to us to be as follows. (1) Some, although undeveloped, have a high ratio of resources to population while others are already pressing on their resources so intensely as to create immediate crises of famine and to offer no clear prospect of relief even in the longer term. (2) Some are sociopolitical systems geared to maintaining existing wide differentials of wealth, land, and income and show no present intention to modify this form. (3) Some lack the infrastructure needed to support the degree of development that the potential allows, notably administrative and technological skills. (4) Some are opposed to developments on Western lines, either because they fear to introduce some features of contemporary Western culture or because they mistrust the instruments of Western penetration, whether the multinational corporation or implicit political dependence.

Concerning these constraints we think it useful to make only the following recommendations. (1) Whatever form of aid is offered and received should be a form desired by the recipient state and acceptable to the providing authority as likely to advance the objectives here recommended. (2) Aid offered should so far as possible be free from implied political or economic dependence. (3) Aid commanded by the two preceding criteria should not be withheld merely because it is likely to be unrequited, although investments that are ultimately self-liquidating are to be preferred in that they ultimately free resources for other uses. We think it utopian to suppose that the redistribution of wealth and wealth-producing power throughout the world can ever be achieved solely by the criteria applicable to successful investment. (4) Aid should be adapted to the current needs of the recipient country. In highly populated but underdeveloped countries, labor intensive activities are likely to need fostering far more than capital-intensive activities. In India, for example, it is clearly more important to increase yield per acre than yield per man.

Apart from the constraints inherent in the recipient countries, four major constraints are inherent in the potential donors. The first is their willingness to give. Present levels of international support through governments and international organizations, although substantial, are far less than the situation requires. The role of multinational corporations, although expanding, is controversial. Both invite a major shift in standards of collective and individual responsibility. The second constraint inherent in the position of potential suppliers is their ability to supply what receivers want. They are largely geared, both technologically and mentally, to supplying the needs of highly developed, capital-intensive societies. The third constraint is their own instability, especially the financial instability, repre-

sented by inflation informally and imbalance of payments externally. A fourth constraint, collective rather than individual, is the inadequacy of international organization in those fields that require forms of regulation beyond the simple transfer of buying power, notably the regulation of the use to be made of the oceans.

The first of these constraints will be greatly exacerbated by the need to equalize the distribution of wealth *within* countries. Hitherto it has been commonly assumed that the poor can become relatively richer without denying some increase of incomes to the rich, merely by skewing the distribution of that part of the increase in GNP which provides net real personal disposable incomes. It seems that this had ceased to hold in America as well as in Britain, in 1973, and that powerful forces are at work to stabilize or even reduce total net disposable incomes, in real terms, at least for a few years. The most obvious of these forces are the worsening terms of trade for oil and the need for vast investments in developing atomic and other sources of energy.

Some of us think that this check to the growth of personal incomes is not likely to continue for more than 2 or 3 years so long as GNP continues to rise. At least one of us expects it to continue much longer, perhaps indefinitely. In any case, it is a fact today. Any reduction of income disparities even within the developed countries will have to take place in today's conditions by reductions in real terms of the larger incomes in favor of the lower ones. We do not think that this painful process can be safely or equitably left to the incidence of inflation.

We believe, therefore, that high priority should be given to studying how to move toward greater equality of incomes, within and between nations, on the lines indicated by Professor Tinbergen. We believe further that many other problems arising from inequality of human rights will be abated by reducing inequalities of incomes.

A final example of a need of high priority is a consistent and efficient *management of the oceans*. Their importance is 2-fold. (1) They are the final dumping ground of all wastes of rivers and hence of large areas of land. Their pollution has assumed frightening dimensions and needs control. (2) They are the producing medium of seafood, oil, and metals from nodules. An orderly and equitable shaping of these production processes is an interest of both developed and developing countries. This implies avoidance of over-fishing, a shift from fish hunting to fish farming, and a licensing of exploration and exploitation of the oceans' mineral riches. This process should be fitted into the oceans' functions of maritime transportation and maritime research.

OPTIMAL DECISION LEVELS

All social processes which together constitute human history require continuous decision-making: political, economic, cultural, and so on. For each type of decision-making optimal levels exist, that is, levels at which the decisions lead to the highest world welfare attainable under given circumstances. Numerous decisions are made at the family or the enterprise

level, many others at local, state, or central government level, and still others at the level of trade unions, employer associations, and so on. The main reason why decisions taken at lower levels may not be optimal is that they have external effects which are taken into account insufficiently. The most important criterion of optimality of some level of decision making of a given type is that the level should be high enough to make externalities negligible.

With the growing interdependencies in the world—as a consequence of technological development—the optimal level for some important policy and economic decisions has become supranational. Business has been aware of this and has created multinational enterprises. Governments of nation states, however, have been reluctant to recognize this need, to the detriment of the welfare of their populations. Since the 1930's beggar-my-neighborhood policies have been frequent and rightly have been criticized. Some of the international agencies, such as the IMF, were created with the purpose of avoiding some of the bad policies of the 1930's.

Between 5 and 10 important areas of international socioeconomic policies nowadays require supranational decision making and the institutions necessary for it. Among them is the management of the oceans, already listed as an urgent priority. Other examples refer to decisions on the monetary system (where IMF does not yet have sufficient machinery) and to decisions on international development financing. The World Bank is probably the best equipped international institution in the field of financing through loans. However, inside well-integrated national communities development financing out of a current budget financed from current revenue, is far more important. Such financing is done by the Treasury, which for this reason is the most important institution inside each country. A similar institution is badly lacking in today's international community—at least the noncommunist community.

Still another area in which supranational decisions are badly needed is trade. Since the Havana Charter of the planned International Trade Organization (ITO), drafted in 1947, was not ratified by the United States, all that remained of the original and correct approach to some international decision-making in the trade field, was GATT, a mere negotiation center. Because trade policies remained in the hands of nation states, it has been possible to maintain the suboptimal present trade patterns to the detriment of all peoples, where labor-intensive products are produced at too high costs in some developed countries and capital-intensive products are produced, also at too high costs, in some developing countries. This has implied mass unemployment in developing countries and foreign workers in developed countries instead of more employment at home for these foreign workers.

Other examples of subjects where supranational decision-making would be better than national are those of research and development and of commodity agreements. As a consequence too little research and development is undertaken to solve problems of developing countries and some

large countries (the United States and the Common Market) are able to stay outside the sugar agreement.

All these examples show that the unimaginative policies of nation states which want to stick to the fiction of national independence have brought us to a highly undesirable state of world affairs with weak and unstable monetary systems, with a highly unsatisfactory division of labor among countries, and with much more poverty than is necessary. Intellectuals should not hesitate to continue their warnings that our system of international cooperation—or lack of it—is the best example of antiquated social structures. It has been rightly said that they will be wiped out by the “development of the productive forces.” Better than waiting for their collapse we should consciously replace them by more modern structures, that is, structures obeying the criterion of optimality, or, in other words, without externalities.

We spent much time discussing the role of the intellectual in the process of change and social learning which will certainly involve our own countries, if they are to play their parts in resolving these or any other problems of high priority to a society in transition. By intellectuals we do not mean only academics, or even only those who have had a formal higher education, but all those who are concerned with the problems that this conference is pursuing and who are able and willing to support their concern with disciplined pursuit of understanding. We cannot articulate all the ideas which arose, but we summarize a few of them. (1) The nature of the dialectic process in which we are engaged requires all who would play a useful part in it to keep their own assumptions under constant review. (2) It also requires that this monitoring process be to some extent institutionalized. We welcome the increasing practice in both private and public sectors of institutions evaluating the results of their policies. However, experience shows that the lessons to be drawn from such exercises are often ignored, unless the information is available also to concerned people and organizations outside the institution concerned. Organizations that might play this role include professional organizations, voluntary bodies organized around special interests, institutes within universities, and international organizations both public and private. Foundations could play an important role in such developments. (3) There is need also for public education in the interrelatedness of policy issues and the variety of costs and benefits involved in any policy. Such education calls for the invention of new instruments and devices such as the “social planetarium” referred to in our prospectus. (4) There is an acute need for better theorizing about the dialectical process involved in policy-making and about the roles of all concerned. We welcome the advances that have been made in this field in the past two or three decades but we believe that the time is ripe for a major shift in our understanding of the political process as a dialectic extended in time.

We believe that this sharpened concern for understanding our own and our neighbor's situation is needed not only as an instrument to facilitate

desirable change by generating consensus and abating suspicion, but we believe that it is also good in its own right, deserving a high place in our priorities. For, as we are beginning to learn, even the most desirable of services cannot be packaged and delivered, like goods to consumers, without losing much of their virtue or even going bad. The most important of all development is the development of individuals capable of mutual understanding and mutual trust.